

APPENDIX B

CREDITING EXPENDITURES

When to Credit an Expenditure Account Rather Than a Revenue Account

In most all situations, including whole grade sharing and shared contracts, receipts to a school district are shown on the books as revenues and are not used to reduce an expenditure account. There are a few exceptions to this if the transaction occurs within the same fiscal year as the expenditure:

- 1) To correct an error in an expenditure line item.
- 2) To show a true refund from the original vendor such as for a return of merchandise.
- 3) To show a true refund that would have come from the original vendor except that Iowa law requires districts to obtain refunds from the state such as gas tax and construction sales tax refunds.
- 4) To show a transaction involving the resale of an inventory-type item on a nonroutine basis, where the inventory item was never placed in service by the district. An example would be one district purchasing 500 typewriters bulk to take advantage of lower prices, then "reselling" 300 at cost to neighboring districts.
- 5) To show a transaction involving a relatively straightforward agency relationship in which the district (or fund) provides no service other than acting as a fiscal intermediary. An example would be when a district pays cooks with regular payroll from the General Operating Fund, then makes transfers from the School Nutrition Fund to cover those expenditures. In that case, the expenditure accounts in the Operating Fund are credited and Operating Fund cash debited to reflect the transfer of money from the School Nutrition Fund.

In each of these cases, however, the manner in which the transaction is treated is a matter of materiality. That is, for relatively immaterial amounts, the transaction could be treated by recording a revenue, even though it might fall into one of the above categories.

Shared contracts and tuition-related sharing do not fall into the above categories. In these cases, for example, the district has hired a curriculum coordinator and is "selling" the services of that coordinator to another district or the district is "selling" a commodity it produced called "education" to another district. The first district is not acting as a fiscal intermediary nor is it receiving a true refund from the original vendor, and, therefore, all such receipts are revenues.

If the board of directors requests that the financial reports which they use for their own management purposes be shown with expenditures net of sharing receipts, this is allowable as long as these unofficial reports are appropriately footnoted. However, official financial reports, audits, and the LEA Certified Annual Report shall not be reported net.